
Wavemaker A/S

Kristen Bernikows Gade 1, 3., DK-1105 Copenhagen
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Annual Report for 1 January - 31 December 2017

CVR No 21 83 64 00

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/5 2018

Lars Petersen
Chairman

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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Wavemaker A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 8 May 2018

Executive Board

Kristian Bæk-Mikkelsen
Executive Officer

Board of Directors

Jonas von Barnekow Benzon
Hemmingsen
Chairman

Claus Dahl Andersen

Kristian Bæk-Mikkelsen

Independent Auditor's Report

To the Shareholder of Wavemaker A/S

Opinion

We have audited the Financial Statements of Wavemaker A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Copenhagen, 8 May 2018

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No 33 96 35 56

Kim Takata Mücke

State Authorised Public Accountant

mne10944

Company Information

The Company

Wavemaker A/S
Kristen Bernikows Gade 1, 3.
DK-1105 Copenhagen C

CVR No: 21 83 64 00
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Jonas von Barnekow Benzons Hemmingsen, Chairman
Claus Dahl Andersen
Kristian Bæk-Mikkelsen

Executive Board

Kristian Bæk-Mikkelsen

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
DK-0900 Copenhagen C

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Key figures					
Profit/loss					
Revenue	632.677	641.641	491.700	452.964	587.860
Gross profit/loss	47.696	48.647	32.237	32.972	29.497
Operating profit/loss	724	-1.315	-1.267	-1.083	-3.409
Net financials	334	1.352	1.590	480	-18
Net profit/loss for the year	842	-252	317	-514	-2.470
Balance sheet					
Balance sheet total	125.137	124.255	90.101	109.020	135.603
Investments in property, plant and equipment	0	0	17	0	145
Equity	33.309	32.462	28.234	20.867	23.555
Ratios					
Solvency ratio	26,6%	26,1%	31,3%	19,1%	17,4%
Return on equity	2,6%	-0,8%	1,3%	-2,3%	-10,0%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts 2015. For definitions, see under accounting policies.

In connection with the merger in 2017, the comparative figures for 2013-2015 have not been restated. See the description under accounting policies.

Management's Review

Key activities

Wavemaker is a new type of media agency. We create strong and fully integrated solutions across media, content and technology. We exist to lead brands that pioneer the future, inspire society and move customers to action.

Bound together by our purchase journey obsession, we help clients translate audience insights and behaviors into smart decisions today for a prosperous tomorrow. Our promise is to create work that challenges what can be done with marketing and creates growth and transformation for our clients and thereby Wavemaker.

The Entity's core business areas are media, content and technology including specialist skills within business consulting & development, strategy & communications planning, data & tech planning, content development, negotiation, traffic handling, implementation and measurement of the return on media investments for advertisers and advertising agencies.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 842, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 33.309.

As of January 1, 2017 the Company has merged with the sister company Maxus A/S.

The digital transformation of our clients, have led to a change in priority of media channels, from traditional high spending broadcast channels to more targeted digital channels. This affects our revenue (billings) and explains the decrease of revenue from 2016 to 2017.

This change in the media landscape and our client's needs, sparked a restructure of the agency, from a traditional hierarchical organization, to a tasks based client centric structure.

As a result, we have invested in new competences, tools and skillsets, however our profit has been affected negatively by the related severance costs and investments in our products.

The financial performance is satisfactory, given the circumstances of the restructure and investments.

Particular risks

Business risks

The Entity's main business risks relate to the business sector's investments in media and marketing activities. Consequently, the development of the Entity is dependent on the general financial climate for enterprises in Denmark.

Management's Review

Outlook

2017's early new business wins has placed Wavemaker as number one Recma's new business momentum list for the Danish market. We expect to continue this momentum in 2018 with an expected profit before tax in the range of TDKK 2-3.000. The effects and continued impact of the merger will be a dominant factor.

We expect to realize significant bottom-line growth from cost savings from the merger consolidation and continued focus on new high margin business areas and new clients.

Intellectual capital resources

A substantial part of the Entity's business hinges on the existence of certain staff resources and tools, which have been further developed throughout the year, both in terms of value-based management and with respect to processes and structures for knowledge-based work.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Income Statement 1 January - 31 December

	Note	2017 TDKK	2016 TDKK
Revenue		632.677	641.641
Cost of sales		-535.698	-539.628
Other external expenses		-49.283	-53.366
Gross profit/loss		47.696	48.647
Staff expenses	2	-46.871	-49.866
Depreciation, amortisation and impairment of property, plant and equipment	3	-101	-96
Profit before financial income and expenses		724	-1.315
Financial income	4	765	1.696
Financial expenses	5	-431	-344
Profit before tax		1.058	37
Tax on profit/loss for the year	6	-216	-289
Net profit/loss for the year		842	-252

Balance Sheet 31 December

Assets

	Note	2017 TDKK	2016 TDKK
Other fixtures and fittings, tools and equipment		242	118
Leasehold improvements		92	134
Property, plant and equipment	7	334	252
Deposits		348	291
Fixed asset investments	8	348	291
Fixed assets		682	543
Trade receivables		85.423	74.451
Contract work in progress	9	143	837
Receivables from group enterprises		33.459	45.871
Other receivables		3.813	1.362
Deferred tax asset	13	222	152
Corporation tax		358	277
Prepayments	10	735	522
Receivables		124.153	123.472
Cash at bank and in hand		302	240
Currents assets		124.455	123.712
Assets		125.137	124.255

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TDKK	2016 TDKK
Share capital		24.600	24.600
Retained earnings		8.709	7.862
Equity	11	33.309	32.462
Prepayments received from customers		2.429	1.245
Trade payables		71.518	59.951
Contract work in progress, liabilities	9	5.397	7.422
Payables to group enterprises		3.310	13.221
Corporation tax		0	269
Other payables	14	9.174	9.685
Short-term debt		91.828	91.793
Debt		91.828	91.793
Liabilities and equity		125.137	124.255
Subsequent events	1		
Distribution of profit	12		
Contingent assets, liabilities and other financial obligations	15		
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Statement of Changes in Equity

	Share capital TDKK	Retained earnings TDKK	Total TDKK
Equity at 1 January	24.550	3.785	28.335
Net effect from merger and acquisition under the uniting of interests method	50	4.082	4.132
Adjusted equity at 1 January	24.600	7.867	32.467
Net profit/loss for the year	0	842	842
Equity at 31 December	24.600	8.709	33.309

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

2 Staff expenses

	2017 TDKK	2016 TDKK
Wages and salaries	44.090	46.604
Pensions	2.200	2.235
Other social security expenses	551	648
Other staff expenses	30	379
	46.871	49.866
Average number of employees	89	91

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

The Executive Board and senior officers at Wavemaker A/S are participating in the WPP Group's share option programmes. The programmes have been entered with WPP plc. and Wavemaker A/S is not impacted financially.

3 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	101	96
	101	96

4 Financial income

Other financial income	498	270
Exchange gains	267	1.426
	765	1.696

5 Financial expenses

Other financial expenses	91	111
Exchange adjustments, expenses	340	233
	431	344

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
6 Tax on profit/loss for the year		
Current tax for the year	286	35
Deferred tax for the year	-20	75
Adjustment of tax concerning previous years	0	179
Adjustment of deferred tax concerning previous years	-50	0
	216	289
7 Property, plant and equipment		
	Other fixtures and fittings, tools and equipment TDKK	Leasehold improvements TDKK
Cost at 1 January	9.393	4.677
Additions for the year	184	0
Disposals for the year	-9.110	-3.971
Cost at 31 December	467	706
Impairment losses and depreciation at 1 January	9.277	4.542
Depreciation for the year	58	43
Reversal of impairment and depreciation of sold assets	-9.110	-3.971
Impairment losses and depreciation at 31 December	225	614
Carrying amount at 31 December	242	92

Notes to the Financial Statements

8 Fixed asset investments

	Deposits TDKK
Cost at 1 January	291
Additions for the year	57
Cost at 31 December	348
Carrying amount at 31 December	348

9 Contract work in progress

	2017 TDKK	2016 TDKK
Selling price of work in progress	5.261	4.862
Payments received on account	-10.515	-11.447
	-5.254	-6.585
Recognised in the balance sheet as follows:		
Contract work in progress recognised in assets	143	837
Prepayments received recognised in debt	-5.397	-7.422
	-5.254	-6.585

10 Prepayments

Prepayments comprise prepayments of various subscriptions, rent, water, heating and electricity.

Notes to the Financial Statements

11 Equity

The share capital is broken down as follow:

	Number	Nominal value TDKK
Ordinary Shares	1	23.500
Ordinary Shares	2	1.000
Ordinary Shares	2	100
		24.600

The share capital has developed as follows:

	2017 TDKK	2016 TDKK	2015 TDKK	2014 TDKK	2013 TDKK
Share capital at 1 January	24.550	24.550	24.500	24.500	24.500
Capital increase	50	0	50	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	24.600	24.550	24.550	24.500	24.500

12 Distribution of profit

	2017 TDKK	2016 TDKK
Retained earnings	842	-252
	842	-252

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
13 Deferred tax asset		
Deferred tax asset at 1 January	152	182
Amounts recognised in the income statement for the year	20	-75
Amounts recognised in the income statement regarding previous years	50	45
Deferred tax asset at 31 December	222	152
Property, plant and equipment	-120	-118
Contract work in progress	154	323
Other liabilities	-256	-357
Transferred to deferred tax asset	222	152
	0	0
Deferred tax has been provided at 22% corresponding to the current tax rate.		
Deferred tax asset		
Calculated tax asset	222	152
Carrying amount	222	152
14 Other payables		
Value added tax etc	0	834
Wages and salaries, personal income taxes, social security costs, etc.	1.888	2.449
Holiday pay obligation	4.606	4.688
Other debt	2.680	1.714
	9.174	9.685

Notes to the Financial Statements

	2017 TDKK	2016 TDKK
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15 Contingent assets, liabilities and other financial obligations

Contingent liabilities

Commitments under rental agreements or leases until expiry	1.070	1.322
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The companies GroupM Denmark A/S (MEC Denmark Holding A/S and Outrider A/S) and Wavemaker (MEC Denmark A/S and Maxus A/S) have provided a guarantee of DKK 14,500 thousand in favour of the Companies' banker. The guarantee is provided towards the Security Fund of the Danish Association of Advertising and Relationship Agencies in order to compensate the Companies' obligations in relation to owners of papers and magazines, and a specified group of Danish owners, respectively.

The Company participates in a Danish joint taxation arrangement in which WPP Holding Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

16 Related parties

Basis

Controlling interest

GroupM Denmark A/S	Shareholder
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Consolidated Financial Statements

Name and registered office of the Parent preparing consolidated financial statements for the smallest and largest group:

Name	Place of registered office
WPP Plc.	27 Farm Street, W1J 5RJ, London, England

The Group Annual Report of may be obtained at the following address: www.wpp.com

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of Wavemaker A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

As of January 1, 2017 the Company has merged with the sister company Maxus A/S. The merger has been based on booked values. Comparative figures for 2016 has been restated. The merger has increased the equity of the Company by TDKK 4,132.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TDKK.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of WPP Plc., the Company has not prepared a cash flow statement.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements

17 Accounting Policies (continued)

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of media is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Consultancy services are included in revenue based on the stage of completion so that revenue corresponds to the sales value of the work performed in the financial year (the percentage-of-completion method).

Cost of sales

Cost of sales comprises consumed use of media to achieve the revenue for the year. Cost of sales includes received discounts, etc.

Other external expenses

Other external expenses comprise expenses for premises, stationery and office supplies, marketing costs and services provided by group related companies etc. This item also includes write-downs of receivables recognised in current assets.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses including social security contributions, pension contributions etc.

Notes to the Financial Statements

17 Accounting Policies (continued)

Depreciation and impairment losses

Depreciation and impairment losses relating to property, plant and equipment comprise depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Financial income and expenses

Other financial income comprises interest income, including interest income on receivables from group enterprises, net foreign exchange gains, as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net foreign exchange losses, as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the other WPP companies in Denmark. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5	years
Leasehold improvements	3-5	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

17 Accounting Policies (continued)

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of Deposits.

Cash pool

The Company is part of a cash pool scheme with other Danish WPP companies. Consequently, a considerable portion of the Company's bank deposits and debt is included in receivables from and payables to group enterprises, respectively.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress is measured at the sales value of the work carried out at the balance sheet date.

The sales value is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

For some projects where the consumption of resources cannot be applied as a basis, stage of completion is determined as the ratio between completed and total sub activities of the individual projects.

Each contract in progress is recognised in the balance sheet under receivables or liabilities, depending on whether the net value, calculated as the selling price less on account billings, is positive or negative.

Cost of securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Notes to the Financial Statements

17 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$